COMPANY UPDATE

SD Guthrie (SDG MK)

Improved 2025 Outlook

We raised SDG's 2025-26 earnings by 10%/5% following its better-than-expected performance in 1H25, which was in turn driven by higher-than-expected upstream margins. We make no changes to our FFB production growth forecast of +4% yoy for 2025, which is in line with management's updated forecast of 3-5%. Reiterate HOLD on SDG, with a revised target price of RM5.00.

WHAT'S NEW

- **2Q25 earnings recap.** SD Guthrie (SDG) recently reported its 2Q25 results which were deemed above expectations, with 1H25 core profit of RM990m (+53% yoy) accounting for 61%/57% of our and consensus forecasts. Sequentially, 2Q25 results were flat as weaker ASPs (-9% qoq) were partly offset by improved FFB production (+14% qoq).

- **Key takeaways from management briefing.** Management has updated its FFB production growth forecast at 3-5% for the year, which suggests a faster pick-up yoy in 2H25, with 1H25 FFB output achieving a yoy 2.8% growth. Fertiliser application was somewhat behind schedule at 68-80% of 1H25 requirements; while the group will likely play catch-up in 2H25, management has indicated that application may still track behind 100% for the full-year. Concurrently, fertiliser costs have been averaging RM140/tonne lower yoy or around RM30m lower in input costs thus far. These, coupled with improved FFB production, should continue to drive down SDG's CPO unit production costs for the year.

- Regarding the land reclamation issue at Indonesia, the group clarified that its affected land is only less than 3% of its planted Indonesia landbank (180,000 ha) while all estates are still operating as usual at the moment. For its Malaysia downstream operations, management believes the SST impact on palm kernel oil and palm kernel shell would not significantly affect the bottom line, while the Malaysian Palm Oil Association has submitted a proposal seeking tax exemption, pending a decision by the Malaysian authorities.

- **New verticals will turn more significant in the next three years.** In 1H25, SDG's renewable energy business incurred slight profit before tax losses of RM4m while its industrial park segment's contribution remained below RM1m. Going forward, the group anticipates both segments' activities to accelerate heading into 2026, with the renewables segment expecting the start-up of its 15MW Corporate Green Power Programme solar plant in Kedah by 4Q25. Other deals made recently include its JV agreement with Sime Darby Property to develop up to 2,000 acres of land in Carey Island, Selangor into an industrial and logistics hub. For renewable energy, SDG has submitted a bid for a 100MWac solar power plant under the Large Scale Solar 5+ (LSS5) programme.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	18,428	19,831	22,980	22,599	22,874
EBITDA	3,270	4,102	4,323	3,959	3,765
Operating profit	1,839	2,649	2,773	2,368	2,174
Net profit (rep./act.)	1,860	1,527	1,789	1,561	1,493
Net profit (adj.)	812	1,527	1,789	1,561	1,493
EPS (sen)	11.9	22.5	26.3	23.0	22.0
PE (x)	41.6	22.1	18.9	21.6	22.6
P/B (x)	1.7	1.7	1.7	1.7	1.7
EV/EBITDA (x)	18.0	14.4	13.5	14.4	14.7
Dividend yield (%)	3.0	3.3	3.4	3.0	2.8
Net margin (%)	10.1	7.7	7.8	6.9	6.5
Net debt/(cash) to equity (%)	23.4	22.8	20.3	12.1	4.9
Interest cover (x)	18.7	34.5	38.3	144.1	158.3
ROE (%)	10.4	8.3	9.8	8.5	8.2
Consensus net profit	-	-	1,729	1,764	1,806
UOBKH/Consensus (x)	-	-	1.0	0.9	0.8

Source: SD Guthrie, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM4.95
Target Price	RM5.00
Upside	-4%
(Previous TP	*RM4.75)*

COMPANY DESCRIPTION

The largest oil palm plantation company in Malaysia.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	SDG MK
Shares issued (m):	6,915.7
Market cap (RMm):	32,503.9
Market cap (US$m):	7,686.8
3-mth avg daily t'over (US$m):	3.9

Price Performance (%)

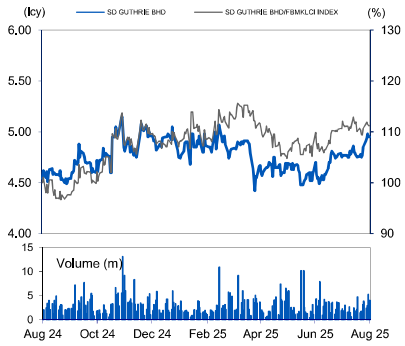
52-week high/low RM5.19 /RM4.15

1mth	3mth	6mth	1yr	YTD
4.9	(3.9)	5.6)	11.4	(5.1)

Major Shareholders	%
Amanah Saham Nasional Bhd	53.3
Employees Provident Fund Board	9.55
Kumpulan Wang Persaraan Diperbadankan	7.4

FY24 NAV/Share (RM)	2.90
FY24 Net Debt/Share (RM)	0.72

PRICE CHART



Source: Bloomberg

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EARNINGS REVISION/RISK

- **Revised earnings estimates.** For 2025-26, we have raised our earnings estimates by 10%/5% respectively, as we adjust upwards our upstream profit margin assumptions.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a higher target price of RM5.00.** After the earnings revision, we arrive at a slightly higher target price of RM5.00, with our valuation still pegged to 22x 2026F PE (-0.25SD to historical five-year mean). While we still like SDG for its favourable production growth profile and medium-term prospects supported by new business verticals within renewables as well as industrial development, present valuations appear fair to us at the moment.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• **Environmental**
- SDG recently announced that additional biogas plants would be built in Kedah and Negeri Sembilan. This allows it to work towards its carbon reduction target of 40% by 2030 (current: 18%).
• **Social**
- The US Customs and Border Protection says palm oil produced by SDG is no longer "being mined, produced, or manufactured wholly or in part with the use of convict, forced, or indentured labour".
• **Governance**
- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

KEY ASSUMPTIONS

	2025F	2026F
FFB Production Growth (%)	4.3	3.9
CPO Price (RM/tonne)	4,200	4,000

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025f	2026F	2027F
Net turnover	**19,831**	**22,980**	**22,599**	**22,874**
EBITDA	4,102	4,323	3,959	3,765
Deprec. & amort.	1,453	1,550	1,591	1,591
EBIT	2,649	2,773	2,368	2,174
Associate contributions	-28	10	11	13
Net interest income/(expense)	-119	-113	-27	-24
Pre-tax profit	**2,502**	**2,670**	**2,352**	**2,164**
Tax	-796	-677	-596	-530
Minorities	-179	-204	-194	-140
Net profit	**1,527**	**1,789**	**1,561**	**1,493**
Net profit (adj.)	1,527	1,789	1,561	1,493

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025f	2026F	2027F
Fixed assets	19,365	19,911	20,416	20,922
Other LT assets	4,954	4,986	4,987	4,987
Cash/ST investment	625	2,115	3,547	4,820
Other current assets	520	-1,394	-3,425	-5,446
Total assets	**32,047**	**33,613**	**33,480**	**33,371**
ST debt	1,809	1,624	1,440	1,255
Other current liabilities	237	241	242	242
LT debt	3,537	4,678	4,679	4,679
Other LT liabilities	233	233	233	233
Shareholders' equity	20,718	20,718	20,718	20,718
Minority interest	443	516	583	599
Total liabilities & equity	**32,047**	**33,613**	**33,480**	**33,371**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025f	2026F	2027F
Operating	**3,013**	**2,821**	**3,641**	**3,411**
Pre-tax profit	2,621	2,783	2,379	2,187
Tax	-796	-677	-596	-530
Deprec. & amort.	1,453	1,550	1,591	1,591
Working capital changes	-378	-953	63	-46
Other operating cashflows	113	119	205	208
Investing	**-630**	**-641**	**-628**	**-640**
Capex (maintenance)	-2,096	-2,096	-2,096	-2,096
Investments	0	1	2	2
Proceeds from sale of assets	1,452	1,452	1,452	1,452
Others	14	2	14	2
Financing	**-1,621**	**-1,655**	**-1,505**	**-1,461**
Dividend payments	-1,127	-1,163	-1,015	-971
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Others/interest paid	6	8	10	10
Net cash inflow (outflow)	**762**	**526**	**1,509**	**1,310**
Beginning cash & cash equivalent	**830**	**1,586**	**2,106**	**3,609**
Changes due to forex impact	-6	-6	-6	-6
Ending cash & cash equivalent	**1,586**	**2,106**	**3,609**	**4,913**

KEY METRICS

Year to 31 Dec (%)	2024	2025f	2026F	2027F
Profitability				
EBITDA margin	20.7	18.8	17.5	16.5
Pre-tax margin	12.6	11.6	10.4	9.5
Net margin	7.7	7.8	6.9	6.5
ROA	5.1	5.8	5.0	4.8
ROE	8.3	9.8	8.5	8.2
Growth				
Turnover	7.6	15.9	(1.7)	1.2
EBITDA	25.4	5.4	(8.4)	(4.9)
Pre-tax profit	14.1	(14.9)	(11.9)	(8.0)
Net profit	16.3	(17.3)	(12.7)	(4.4)
Net profit (adj.)	16.3	(17.3)	(12.7)	(4.4)
EPS	88.0	17.1	(12.7)	(4.4)
Leverage				
Debt to total capital	25.3	29.7	28.7	27.8
Debt to equity	25.8	30.4	29.5	28.6
Net debt/(cash) to equity	22.8	20.3	12.1	4.9
Interest cover (x)	34.5	38.3	144.1	158.3

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